



May 27, 2011

Ms. Jennifer J. Johnson
Secretary of the Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Submitted via email to: regs.comments@federalreserve.gov

Re: **Docket No. R-1409** Regulation CC: Availability of Funds and Collection of Checks

Dear Ms. Johnson:

This comment letter represents the views of the Virginia Credit Union League on the Federal Reserve Board's proposed rule that will amend Regulation CC to increase next day business availability, and encourage electronic check processing and returns. The Virginia Credit Union League is the state association for the Commonwealth's 180 member-owned financial cooperatives which serve more than 6 million members. Generally, we agree that Regulation CC should be amended to bring it in line with current check processing procedures. Additionally, we support removing obsolete references to "non-local" checks. The intent of the proposal to provide faster returns for depository institutions and clearing for consumers is desirable. However, we are concerned with the additional exposure to check fraud and compliance costs under the revised rule.

Generally, we believe that the Board should not reduce check hold periods. More specifically, we do not believe that the safe-harbor period for an exception hold should be shortened. Any reduction will increase exposure to unpaid items. We further add that consideration should be given to extending timeframes for the availability of official/cashier's checks. An extension of the current timeframe (next day) or liberal use of the exception hold would be appropriate in consideration of the advances in counterfeit technology which have lead to increased check fraud and losses for institutions accepting official checks.

Many credit unions use shared branching networks and rely on a notice of nonpayment to reduce fraud risk and loss exposure. Therefore, we do not support eliminating the notice requirement for returns of \$2,500 or more as proposed under 229.33 (a).

We support maintaining "refer to maker" as a sole return check reason. This code can be of value as financial institutions communicate to merchants to be suspicious of check fraud.

We urge the Federal Reserve Board to consider provisions that can be used to ensure the protection of small issuers such as delayed compliance. Thank you for the opportunity to comment on this proposal. If you have any questions concerning our letter, please contact League President Richard D. Pillow at 800-768-3344.

Sincerely,

Bonnie Newsome, Chairman
Regulatory Response Committee